

# House File 361 - Introduced

HOUSE FILE \_\_\_\_\_  
BY COMMITTEE ON ECONOMIC  
GROWTH

(SUCCESSOR TO HF 213)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to assistance for small businesses, making  
2 appropriations, and providing an effective date provision.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 1517HV 82  
5 tm/gg/14

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1 1 Section 1. Section 8A.311, subsection 10, unnumbered  
1 2 paragraph 1, Code 2007, is amended to read as follows:  
1 3 The director shall adopt rules providing that any state  
1 4 agency may, upon request, purchase directly from a vendor if  
1 5 the direct purchasing is as economical or more economical than  
1 6 purchasing through the department, or upon a showing that  
1 7 direct purchasing by the state agency would be in the best  
1 8 interests of the state due to an immediate or emergency need.  
1 9 The rules shall include a provision permitting a state agency  
1 10 to purchase directly from a vendor, on the agency's own  
1 11 authority, if the purchase will not exceed ~~five~~ ten thousand  
1 12 dollars and the purchase will contribute to the agency  
1 13 complying with or exceeding the targeted small business  
1 14 procurement goals under sections 73.15 through 73.21.  
1 15 Sec. 2. NEW SECTION. 11.46 TARGETED SMALL BUSINESS.  
1 16 After the conclusion of each fiscal year, the auditor of  
1 17 state shall annually conduct a review of whether state  
1 18 agencies are meeting their goal for procurement activities  
1 19 conducted pursuant to sections 73.15 through 73.21, and  
1 20 compliance with the forty-eight hour notice provision in  
1 21 section 73.16, subsection 2. By December 31 of each year, the  
1 22 auditor of state shall file a written report with the governor  
1 23 and the general assembly which shall include the findings of  
1 24 the review. The auditor of state may charge a fee to cover  
1 25 the costs of conducting activities under this section.  
1 26 Sec. 3. Section 15.102, subsection 4, Code 2007, is  
1 27 amended to read as follows:  
1 28 4. "Small business" means any enterprise which is located  
1 29 in this state, which is operated for profit and under a single  
1 30 management, and which has either fewer than twenty employees  
1 31 or an annual gross income of less than ~~three~~ four million  
1 32 dollars computed as the average of the three preceding fiscal  
1 33 years. This definition does not apply to any program or  
1 34 activity for which a definition for small business is provided  
1 35 for the program or activity by federal law or regulation or  
2 1 other state law.  
2 2 Sec. 4. Section 15.102, subsection 5, paragraph a,  
2 3 subparagraph (3), Code 2007, is amended to read as follows:  
2 4 (3) Has an annual gross income of less than ~~three~~ four  
2 5 million dollars computed as an average of the three preceding  
2 6 fiscal years.  
2 7 Sec. 5. Section 15.108, subsection 7, paragraph c, Code  
2 8 2007, is amended to read as follows:  
2 9 c. Aid for the development and implementation of the Iowa  
2 10 targeted small business procurement Act established in  
2 11 sections 73.15 through 73.21 and the targeted small business  
2 12 financial assistance program established in section 15.247.  
2 13 The duties of the director under this paragraph include the  
2 14 following:  
2 15 (1) (a) By December 1 of each year, the department of  
2 16 administrative services shall file a written report with the  
2 17 department of economic development regarding the Iowa targeted

2 18 small business procurement Act activities during the previous  
2 19 fiscal year. At a minimum, the report shall include a summary  
2 20 of all activities undertaken by the department of  
2 21 administrative services in an effort to maximize the  
2 22 utilization of the targeted small business procurement Act,  
2 23 the procurement goals set by each agency, and the performance  
2 24 in meeting the set goals by each agency.

2 25 (b) By December 1 of each year, the department of  
2 26 inspections and appeals shall file a written report with the  
2 27 department of economic development regarding certifications of  
2 28 targeted small businesses. At a minimum, the report shall  
2 29 include the number of certified targeted small businesses for  
2 30 the previous year and the increase or decrease in that number  
2 31 during the previous fiscal year compared to the prior fiscal  
2 32 year, the number of targeted small businesses that have been  
2 33 decertified over the previous fiscal year, and a summary of  
2 34 all activities undertaken by the department of inspections and  
2 35 appeals regarding targeted small business certification.

3 1 (c) By December 1 of each year, the department of economic  
3 2 development shall compile an internal report regarding the  
3 3 targeted small business financial assistance program. At a  
3 4 minimum, the report shall contain the number of loans, loan  
3 5 guarantees, and grants distributed during the previous fiscal  
3 6 year, the individual amounts provided to targeted small  
3 7 businesses during the previous fiscal year, and how many  
3 8 financial assistance awards to targeted small businesses were  
3 9 the subject of repayment or collection activity during the  
3 10 previous fiscal year.

3 11 (d) By January 15 of each year, the department of economic  
3 12 development shall submit to the governor and the general  
3 13 assembly a compilation of reports required under this  
3 14 subparagraph.

3 15 ~~(1)~~ (2) The director, in conjunction with cooperation  
3 16 from the director of the department of management other state  
3 17 agencies, shall publicize the procurement goal program for  
3 18 established in sections 73.15 through 73.21 to targeted small  
3 19 businesses and to agencies of state government, attempt to  
3 20 locate targeted small businesses able to perform contracts,  
3 21 and encourage program participation. The director may request  
3 22 the cooperation of the department of administrative services,  
3 23 the state department of transportation, the state board of  
3 24 regents, or any other agency of state government in  
3 25 publicizing this program.

3 26 ~~(2)~~ (3) The director, in conjunction with the director of  
3 27 the department of management other state agencies, shall  
3 28 publicize the financial assistance program established in  
3 29 section 15.247 to targeted small businesses.

3 30 ~~(3)~~ (4) When the director determines, or is notified by  
3 31 the head of another agency of state government, that a  
3 32 targeted small business is unable to perform a procurement  
3 33 contract, the director shall assist the small business in  
3 34 attempting to remedy the causes of the inability to perform.  
3 35 In assisting the small business, the director may use any  
4 1 management or financial assistance programs available through  
4 2 state or governmental agencies or private sources.

4 3 ~~(4)~~ (5) The director, in conjunction with the director of  
4 4 the department of management and jointly with the universities  
4 5 under the jurisdiction of the state board of regents, and the  
4 6 community colleges, shall develop and make available in all  
4 7 areas of the state, programs to offer and deliver  
4 8 concentrated, in-depth advice and services to assist targeted  
4 9 small businesses. The department of economic development  
4 10 shall establish targeted small business advocate service  
4 11 providers for purposes of providing mentoring, outreach, and  
4 12 professional development services to targeted small businesses  
4 13 certified pursuant to section 10A.104. Targeted small  
4 14 business advocate service providers shall be established  
4 15 through a request for proposals process. Entities eligible to  
4 16 bid under the request for proposals process shall include but  
4 17 not be limited to a business accelerator, a small business  
4 18 development center, or any organization that provides  
4 19 mentoring, outreach, and professional development services to  
4 20 businesses. A person serving on or staffing a governor's task  
4 21 force on targeted small businesses during calendar year 2006  
4 22 shall not be eligible to be part of a bid under the request  
4 23 for proposals process until after July 1, 2009. A person  
4 24 serving on or staffing a governor's targeted small business  
4 25 advisory council shall not be eligible to be part of a bid  
4 26 under the request for proposals process until three years  
4 27 following the termination of service or staffing the advisory  
4 28 council. The advice and services provided by providers shall

4 29 extend to all areas of business management in its practical  
4 30 application, including but not limited to accounting,  
4 31 engineering, drafting, grant writing, obtaining financing,  
4 32 locating bond markets, market analysis, and projections of  
4 33 profit and loss.

4 34 Sec. 6. Section 15.247, subsection 2, Code 2007, is  
4 35 amended to read as follows:

5 1 2. A "targeted small business financial assistance program  
5 2 account" is established within the strategic investment fund  
5 3 created in section 15.313, to provide for loans, loan  
5 4 guarantees, ~~revolving loans, loans secured by accounts~~  
~~5 5 receivable, or grants to targeted small businesses and to~~  
~~5 6 low-income persons establishing or expanding small business~~  
~~5 7 ventures.~~ A targeted small business ~~or low-income person~~ in  
5 8 any year shall receive under this program not more than fifty  
5 9 thousand dollars in a loan, grant, or guarantee, or a  
5 10 combination of loans, grants, or guarantees. The program  
5 11 shall provide guarantees not to exceed ~~seventy-five~~ eighty  
5 12 percent for loans of up to seven years made by qualified  
5 13 lenders. The department shall establish a financial  
5 14 assistance reserve account from funds allocated to the program  
5 15 account, from which any default on a guaranteed loan under  
5 16 this section shall be paid. In administering the program the  
5 17 department shall not guarantee loan values in excess of the  
5 18 amount credited to the reserve account and only moneys set  
5 19 aside in the loan reserve account may be used for the payment  
5 20 of a default. The department shall maintain records of all  
5 21 financial assistance approved pursuant to this section and  
5 22 information regarding the effectiveness of the financial  
5 23 assistance in establishing or expanding small business  
5 24 ventures.

5 25 Sec. 7. Section 15.247, Code 2007, is amended by adding  
5 26 the following new subsection:

5 27 NEW SUBSECTION. 7. In order to receive financial  
5 28 assistance under this section a targeted small business shall  
5 29 participate in mentoring services from a targeted small  
5 30 business advocate service provider.

5 31 Sec. 8. Section 19B.7, subsection 1, paragraph d, Code  
5 32 2007, is amended to read as follows:

5 33 d. Report results under the contract compliance policy to  
5 34 the governor and the general assembly on an annual basis. Any  
~~5 35 information reported by the department of administrative~~  
~~6 1 services to the department of economic development pursuant to~~  
~~6 2 section 15.108 shall not be required to be part of the report~~  
~~6 3 under this paragraph.~~ The report shall detail specific  
6 4 efforts to promote equal opportunity through state contracts  
6 5 and services and efforts to promote, develop, and stimulate  
6 6 the utilization of minority, women's, and disadvantaged  
6 7 business enterprises in programs receiving or benefiting from  
6 8 state financial assistance.

6 9 Sec. 9. Section 73.16, subsection 2, unnumbered paragraph  
6 10 1, Code 2007, is amended to read as follows:

6 11 The Prior to the commencement of a fiscal year, the  
6 12 director of each agency or department of state government  
6 13 having purchasing authority, in cooperation with the targeted  
~~6 14 small business marketing and compliance manager of the~~  
~~6 15 department of economic development, shall establish for that~~  
~~6 16 fiscal year a procurement goal from certified targeted small~~  
6 17 businesses identified pursuant to section 10A.104, subsection  
6 18 8, of at least ten percent of the value of anticipated  
~~6 19 procurements of.~~ The procurement goal shall include the  
6 20 procurement of all goods and services, including construction,  
6 21 but not including utility services, each fiscal year. A  
6 22 procurement goal shall be stated in terms of a dollar amount  
6 23 of certified purchases and shall be established at a level  
6 24 that exceeds the procurement levels from certified targeted  
6 25 small businesses during the previous fiscal year. The  
6 26 director of each department and agency of state government  
6 27 shall cooperate with the director of the department of  
6 28 inspections and appeals, the director of the department of  
6 29 economic development, and the director of the department of  
6 30 management and do all acts necessary to carry out the  
6 31 provisions of this division.

6 32 Sec. 10. Section 262.34A, subsection 2, Code 2007, is  
6 33 amended to read as follows:

6 34 2. Notwithstanding section 73.16, subsection 2, and due to  
6 35 the high volume of bids issued by the board and the need to  
7 1 coordinate bidding of three institutions of higher learning,  
7 2 the board may shall issue electronic bid notices for  
7 3 distribution to the targeted small business internet site  
7 4 through internet links to each of the regents institutions.

7 5       Sec. 11. TARGETED SMALL BUSINESS ADVOCATE SERVICE  
 7 6 PROVIDERS.  
 7 7       1. There is appropriated from the general fund of the  
 7 8 state to the department of economic development for the fiscal  
 7 9 year beginning July 1, 2006, and ending June 30, 2007, the  
 7 10 following amount, or so much thereof as is necessary, to be  
 7 11 used for the purposes designated:  
 7 12       For the establishment of targeted small business advocate  
 7 13 service providers, including salaries, support, maintenance,  
 7 14 and miscellaneous purposes:  
 7 15 ..... \$       900,000  
 7 16       2. Of the moneys appropriated under this section, not more  
 7 17 than \$150,000 shall be expended on one targeted small business  
 7 18 advocate service provider.  
 7 19       3. Notwithstanding section 8.33, moneys appropriated in  
 7 20 this section that remain unencumbered or unobligated at the  
 7 21 close of the fiscal year shall not revert but shall remain  
 7 22 available for expenditure for the purposes designated until  
 7 23 the close of the succeeding fiscal year.  
 7 24       Sec. 12. TARGETED SMALL BUSINESS FINANCIAL ASSISTANCE  
 7 25 PROGRAM. There is appropriated from the general fund of the  
 7 26 state to the department of economic development for the fiscal  
 7 27 year beginning July 1, 2006, and ending June 30, 2007, the  
 7 28 following amount, or so much thereof as is necessary, to be  
 7 29 used for the purposes designated:  
 7 30       For deposit in the targeted small business financial  
 7 31 assistance program account of the strategic investment fund:  
 7 32 ..... \$       2,500,000  
 7 33       Notwithstanding section 8.33, moneys appropriated in this  
 7 34 section that remain unencumbered or unobligated at the close  
 7 35 of the fiscal year shall not revert but shall remain available  
 8 1 for expenditure for the purposes designated until the close of  
 8 2 the succeeding fiscal year.  
 8 3       Sec. 13. MARKETING AND COMPLIANCE MANAGER.  
 8 4       1. There is appropriated from the general fund of the  
 8 5 state to the department of economic development for the fiscal  
 8 6 year beginning July 1, 2006, and ending June 30, 2007, the  
 8 7 following amount, or so much thereof as is necessary, to be  
 8 8 used for the purposes designated:  
 8 9       For purposes of marketing and compliance activities and for  
 8 10 administrative costs related to the targeted small business  
 8 11 financial assistance program and the Iowa targeted small  
 8 12 business procurement Act, including salaries, support,  
 8 13 maintenance, miscellaneous purposes, and for not more than the  
 8 14 following full-time equivalent positions:  
 8 15 ..... \$       225,000  
 8 16 ..... FTEs       1.00  
 8 17       2. From moneys appropriated under this section, the  
 8 18 department shall create a full-time position for a targeted  
 8 19 small business marketing and compliance manager. The position  
 8 20 shall be responsible, at a minimum, for coordinating the  
 8 21 establishment of the targeted small business advocate service  
 8 22 providers, providing marketing support for the Iowa targeted  
 8 23 small business procurement Act and targeted small business  
 8 24 financial assistance program, providing state agencies with  
 8 25 Iowa targeted small business procurement Act assistance, and  
 8 26 providing any related services.  
 8 27       3. The department may use moneys appropriated under this  
 8 28 section for purposes of paying fees associated with services  
 8 29 provided by the auditor of state pursuant to section 11.46.  
 8 30       4. Notwithstanding section 8.33, moneys appropriated in  
 8 31 this section that remain unencumbered or unobligated at the  
 8 32 close of the fiscal year shall not revert but shall remain  
 8 33 available for expenditure for the purposes designated until  
 8 34 the close of the succeeding fiscal year.  
 8 35       Sec. 14. PROCESS IMPROVEMENT == MARKETING ACTIVITIES.  
 9 1 There is appropriated from the general fund of the state to  
 9 2 the department of economic development for the fiscal year  
 9 3 beginning July 1, 2006, and ending June 30, 2007, the  
 9 4 following amount, or so much thereof as is necessary, to be  
 9 5 used for the purposes designated:  
 9 6       For implementing process improvement activities and for  
 9 7 administrative costs for the targeted small business financial  
 9 8 assistance program and the Iowa targeted small business  
 9 9 procurement Act, for developing and conducting a vendor fair  
 9 10 to increase awareness of the targeted small business financial  
 9 11 assistance program and the Iowa targeted small business  
 9 12 procurement Act, and for an awards banquet to recognize the  
 9 13 accomplishments under the Iowa targeted small business  
 9 14 procurement Act:  
 9 15 ..... \$       225,000

9 16 The department may use moneys appropriated under this  
9 17 section for purposes of paying fees associated with services  
9 18 provided by the auditor of state pursuant to section 11.46.  
9 19 Notwithstanding section 8.33, moneys appropriated in this  
9 20 section that remain unencumbered or unobligated at the close  
9 21 of the fiscal year shall not revert but shall remain available  
9 22 for expenditure for the purposes designated until the close of  
9 23 the succeeding fiscal year.

9 24 Sec. 15. CERTIFICATION.

9 25 1. There is appropriated from the general fund of the  
9 26 state to the department of inspections and appeals for the  
9 27 fiscal year beginning July 1, 2006, and ending June 30, 2007,  
9 28 the following amount, or so much thereof as is necessary, to  
9 29 be used for the purposes designated:

9 30 For purposes of a dedicated targeted small business  
9 31 certification employee, including salaries, support,  
9 32 maintenance, miscellaneous purposes, and for not more than the  
9 33 following full-time equivalent positions:  
9 34 ..... \$ 150,000  
9 35 ..... FTEs 1.00

10 1 2. From moneys appropriated under this section, the  
10 2 department shall create a full-time position for a targeted  
10 3 small business certification employee. The position shall be  
10 4 responsible, at a minimum, for processing applications for  
10 5 targeted small business applications, conducting on-site  
10 6 visits, maintaining a publicly available active directory of  
10 7 certified targeted small businesses, organizing and  
10 8 participating in educational meetings for certified targeted  
10 9 small businesses and potential targeted small businesses,  
10 10 coordinating activities with other state agencies to promote  
10 11 the Iowa targeted small business procurement Act, and any  
10 12 other related responsibilities.

10 13 3. Notwithstanding section 8.33, moneys appropriated in  
10 14 this section that remain unencumbered or unobligated at the  
10 15 close of the fiscal year shall not revert but shall remain  
10 16 available for expenditure for the purposes designated until  
10 17 the close of the succeeding fiscal year.

10 18 Sec. 16. EFFECTIVE DATE. This Act, being deemed of  
10 19 immediate importance, takes effect upon enactment.

10 20 EXPLANATION

10 21 This bill relates to assistance for small businesses.

10 22 Currently, a state agency may purchase directly from a  
10 23 vendor, instead of through the department of administrative  
10 24 services, and avoid the competitive bidding process if the  
10 25 purchase will not exceed \$5,000 and the purchase will  
10 26 contribute to the agency complying with or exceeding the  
10 27 targeted small business procurement goals. The bill increases  
10 28 the threshold to \$10,000.

10 29 The bill provides that after the conclusion of each fiscal  
10 30 year, the auditor of state shall annually conduct a review of  
10 31 targeted small business procurement activities. The bill  
10 32 requires the auditor of state to file a written report with  
10 33 the governor and the general assembly which shall include the  
10 34 findings of the review.

10 35 Currently, one of the criteria for a small business under  
11 1 Code chapter 15 and for a targeted small business is that the  
11 2 business has a gross income of less than \$3 million. The bill  
11 3 increases this amount to \$4 million.

11 4 The bill amends the duties of the department of economic  
11 5 development regarding the Iowa targeted small business  
11 6 procurement Act and the targeted small business financial  
11 7 assistance program. The bill requires the department of  
11 8 administrative services to file an annual report with the  
11 9 department of economic development regarding the Iowa targeted  
11 10 small business procurement Act activities during the previous  
11 11 fiscal year. The bill requires the department of inspections  
11 12 and appeals to file an annual report with the department of  
11 13 economic development regarding certifications of targeted  
11 14 small businesses. The bill requires the department to file an  
11 15 annual written report with the governor and the general  
11 16 assembly compiling all the reports. The bill requires state  
11 17 agencies to cooperate with the department in publicizing both  
11 18 programs. The bill requires the department to establish  
11 19 targeted small business advocate service providers for  
11 20 purposes of providing mentoring, outreach, and professional  
11 21 development services to certified targeted small businesses.  
11 22 The bill requires the providers to be established through a  
11 23 request for proposals process.

11 24 Currently, under the targeted small business financial  
11 25 assistance program, guarantees are provided which do not  
11 26 exceed 75 percent for loans made by qualified lenders. The

11 27 bill increases the percentage to 80 percent and limits such  
11 28 loans to seven years or less.

11 29 The bill eliminates the ability of low-income persons from  
11 30 receiving assistance under the targeted small business  
11 31 financial assistance program.

11 32 The bill provides that a targeted small business that  
11 33 receives financial assistance under the targeted small  
11 34 business financial assistance program must participate in  
11 35 mentoring services from a targeted small business accelerator.

12 1 Currently, under the Iowa targeted small business  
12 2 procurement Act, the director of each agency or department of  
12 3 state government having purchasing authority must establish a  
12 4 procurement goal from certified targeted small businesses, of  
12 5 at least 10 percent of the value of anticipated procurements  
12 6 of goods and services, including construction, but not  
12 7 including utility services, each fiscal year. The bill  
12 8 eliminates the 10 percent goal. The bill requires, prior to  
12 9 each new fiscal year, each department or agency, in  
12 10 cooperation with the department of economic development, to  
12 11 establish a procurement goal from certified small businesses.  
12 12 The procurement goals must include the procurement of all  
12 13 goods and services, including construction, but not including  
12 14 utility services. The goals must be stated in terms of dollar  
12 15 amount of certified purchases and must be established at a  
12 16 level that exceeds previous fiscal year levels.

12 17 The bill provides justification for allowing the state  
12 18 board of regents to issue electronic bid notices for  
12 19 distribution to the targeted small business internet site  
12 20 through internet links to each of the regents institutions.

12 21 The bill appropriates \$900,000 from the general fund of the  
12 22 state to the department of economic development for FY  
12 23 2006=2007 for the establishment of targeted small business  
12 24 advocate service providers. The bill limits the amount that  
12 25 may be expended on one targeted small business advocate  
12 26 service provider to \$150,000.

12 27 The bill appropriates \$2.5 million from the general fund of  
12 28 the state to the department of economic development for FY  
12 29 2006=2007 for deposit in the targeted small business financial  
12 30 assistance program account of the strategic investment fund.

12 31 The bill appropriates \$225,000 from the general fund of the  
12 32 state to the department of economic development for FY  
12 33 2006=2007 for purposes of marketing and compliance activities  
12 34 and administrative costs related to the targeted small  
12 35 business financial assistance program and the Iowa targeted  
13 1 small business procurement Act. The bill requires the  
13 2 department to create a full-time position for a targeted small  
13 3 business marketing and compliance manager.

13 4 The bill appropriates \$225,000 from the general fund of the  
13 5 state to the department of economic development for FY  
13 6 2006=2007 for implementing process improvement activities and  
13 7 for administrative costs for the targeted small business  
13 8 financial assistance program and the Iowa targeted small  
13 9 business procurement Act, for developing and conducting a  
13 10 vendor fair to increase awareness of the targeted small  
13 11 business financial assistance program and the Iowa targeted  
13 12 small business procurement Act, and for an awards banquet to  
13 13 recognize the accomplishments under the Iowa targeted small  
13 14 business procurement Act.

13 15 The bill appropriates \$150,000 from the general fund of the  
13 16 state to the department of inspections and appeals for FY  
13 17 2006=2007 for purposes of a dedicated targeted small business  
13 18 certification employee.

13 19 The bill takes effect upon enactment.

13 20 LSB 1517HV 82  
13 21 tm:rj/gg/14